

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION INVESTMENT COMMITTEE

### MINUTES OF MEETING OPEN SESSION

November 15, 2010

The Investment Committee met on Monday, November 15, 2010 at the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:35 a.m. and the following members were present:

George Diehr, Chair
John Chiang
Patricia Clarey
Dan Dunmoyer
Debbie Endsley, represented by Michelle Berklacich
Rob Feckner
JJ Jelincic
Henry Jones
Bill Lockyer, represented by Bill Dowell
Priya Mathur
Louis F. Moret

Committee members excused:

Tony Oliveira, Vice Chair

### AGENDA ITEM 1 - APPROVAL OF OCTOBER 2010 MEETING MINUTES

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** that the October 18, 2010 Open Session minutes be approved as presented.

The Chair welcomed the Toigo Foundation and students from the MBA programs at University of California, Davis; University of California, Berkeley; California State University, Sacramento and University of the Pacific. The students were invited by the Investment Office to participate at the annual "A Day at CalPERS" to learn more about our organization.

### AGENDA ITEM 2 - GLOBAL FIXED INCOME, Annual Program Review

Curtis Ishii, Senior Investment Officer; Kevin Winter, Senior Portfolio Manager; Arnold Phillips, Senior Portfolio Manager; and Tom McDonagh, Senior Portfolio Manager, presented the item. Michael Schlachter, Wilshire Consulting, was available to respond to questions from the Committee.

Staff provided a review of the Global Fixed Income program, including recent accomplishments, performance, key strategies and initiatives. Staff also requested one-year contract renewals for the Global Fixed Income external managers.

There was discussion regarding the Credit Enhancement Program, level of global investing, liquidity and duration of benchmarks.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to approve one-year contract renewals for the following investment external managers:

International Fixed Income Managers

- Alliance Bernstein L.P.
- Barings Asset Management
- PIMCO
- Rogge Global Partners

U.S. High Yield Managers

- Nomura
- PIMCO
- Columbia High Yield
- Columbia Loans
- Artio Global
- JP Morgan
- Logan Circle
- Putnum
- TCW
- ING Loans

Currency Managers

- Pareto Investment Management Ltd.
- State Street Global Advisors

Mr. Chiang abstained.

# AGENDA ITEM 3 – AFFILIATE INVESTMENT PROGRAMS, Member Home Loan Program Direction

Geraldine Jimenez, Division Chief, and Arnold Phillips, Senior Portfolio Manager, presented the item. Warren Astleford, Assistant Chief Counsel, was available to respond to questions from the Committee.

With changes in the mortgage marketplace and its impact on the program, staff recommended suspending new loans. Key reasons included:

- Minimal member benefit and program usage
- Retirement losses to the Secured Personal Loan Program
- Minimal investment returns with uncompensated risks
- Significant staff resource requirements

In response to questions from the Committee, staff elaborated on the loan process, types of loans, data regarding delinquencies and program losses, and level of staff resources needed.

Dave Elder, interested party, expressed concern regarding suspension of new loans and recommended possible program modifications. He also believed that inadequate notice was provided to constituents about the proposed action.

On **MOTION** by Mr. Feckner, **SECONDED** and **CARRIED** to defer action to December so constituent groups and employer and employee bases can be notified of possible suspension of new loans for the Member Home Loan Program and the Secured Personal Loan Program.

Mr. Dunmoyer voted no.

# AGENDA ITEM 4 – GLOBAL EQUITY – CORPORATE GOVERNANCE, Focus List Methodology

Eric Baggesen, Senior Investment Officer, and Anne Simpson, Senior Portfolio Manager, presented the item. Michael Schlachter, Wilshire Consulting, was available to respond to questions from the Committee.

Staff reported on the Focus List Program and methodology review findings. The goal was to develop a more effective strategy for company engagement by improving the alignment of interest between long-term shareowners and portfolio companies. Staff outlined the proposed enhanced Focus List Program methodology, including elimination of the published "name and shame" list, and emphasized that our commitment to the program has not diminished.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to approve the enhanced Focus List Program methodology.

# AGENDA ITEM 5a – TOTAL FUND, United Nations Principles for Responsible Investment Update

Eric Baggesen, Senior Investment Officer, and Anne Simpson, Senior Portfolio Manager, provided an update on CalPERS ongoing involvement with the Principles for Responsible Investment (PRI) and how CalPERS incorporates the Principles consistent with its fiduciary responsibility. Results were presented of the annual survey of investor signatories and 2010 PRI-related activities were highlighted.

The Committee accepted the annual information report.

#### **AGENDA ITEM 6 – PROGRAM UPDATES**

Corporate Governance Update
 Eric Baggesen, Senior Investment Officer, and Anne Simpson, Senior Portfolio
 Manager, provided an update on recent and upcoming corporate governance
 activities.

There were no items to report for the following programs:

- Real Estate
- Alternative Investments Management (AIM)
- Inflation-Linked Asset Class (ILAC)
- Global Equity

#### **AGENDA ITEM 7 - ACTIVITY REPORTS**

The Committee accepted the following activity reports:

- a. Consolidated Investment Activity Report
- b. Chief Operating Investment Officer's Status Report

#### AGENDA ITEM 8 – AGENDA AND CALENDAR

The Committee accepted the following:

- a. Draft Agenda for December 13, 2010 Investment Committee Meeting
- b. 2010-2011 Annual Agenda Item Calendar

#### **AGENDA ITEM 9 - PUBLIC COMMENT**

There were no additional comments from the public.

The meeting was adjourned at 12:25 p.m.

The next Investment Committee meeting is scheduled for December 13, 2010 in Sacramento, California.

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STEPHEN W. KESSLER Deputy Executive Officer Operations